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**DETERMINE
THE MOST COST EFFECTIVE
METHOD AND FORMAT
TO PROVIDE BULK TAX FORMS
AND PUBLICATIONS TO THE
PUBLIC**



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STATE DOCUMENTS

Determine the Most Cost Effective Method and Format to Provide Bulk Tax Forms and Publications to the Public

INTRODUCTION

The South Carolina Department of Revenue (DOR) administers different 32 taxes and is required to provide “free” tax forms to insure compliance with tax laws. DOR provides tax returns, applications and some publication free and pays the postage for small orders. Large orders (bulk) are mailed via United Parcel Service (UPS) with the requestor paying the shipping fee plus COD charge. DOR pays the postage and/or UPS shipping fee (no COD) for libraries, military installations and government (municipal, county, state, federal) orders. Tax returns, applications and publications are also available via the DOR website and a Fax on Demand system (electronic methods).

Every year shipping fees, COD charges, additional fees for fuel, etc. increase. The bulk shipments of forms are refused and charged to DOR’s account increasing postage costs. With biennial budget cuts, reduction in workforce, etc., all resources must be used effectively and efficiently, while still providing quality customer service.

DOR’s Strategic Plan identifies key results and strategies for the agency. Key Result 3 is *Effective and Efficient Agency and Enterprise Service*. Three of strategies to achieve the key result are the basis for this project:

- 3.2 *Administer and continuously evaluate services to insure stakeholder needs are met while adhering to rules, regulations and statutes.*
- 3.3 *Continuously evaluate and implement innovative technology to improve the quality and speed of service delivery while minimizing cost.*
- 3.4 *Evaluate provide and manage agency resources to include equipment, facilities, employees, services and tools.*

This project will address cost effectiveness, efficiencies and format, as well as quality customer service in keeping the DOR Strategic Plan.

PROJECT DEVELOPMENT AND IMPLEMENTATION

Current Situation

The Forms Management section of DOR designs and distributes agency tax forms and publications. Form requests are made via telephone, e-mail, fax and mail. For the last tax season's forms distribution period (November 2002 to October 2003), 23,614 small requests and 110 bulk requests have been filled with a staff of 1 temporary and 4 full time employees.

Small orders are requests of 1 to 30 forms that can be inserted in a regular or catalog envelope. Name, address and form information are entered into an Access database that generates the mailing label denoting the forms(s) requested. Orders are filled from the mailing label and mailed via USPS.

Bulk orders are filled, wrapped (or boxed) and weighed. Shipping and weight information are entered on the shipment section of ups.com. A barcoded shipping label is printed and inserted in a clear adhesive sleeve and attached to each package. DOR pays the shipping cost for libraries, military installations and government entities (municipal, county, state and federal). All other requests (tax practitioners, CPA's, etc.) are charged for the shipping cost. DOR does not have a process to accept shipping payments prior to delivery. A COD (collect on delivery) fee (currently \$7.00) is added to the shipping cost and UPS collects the payment from the requestor at delivery. DOR must pay the shipping

and COD fee if the requestor refuses the delivery or is not present to accept delivery in 3 attempts. DOR spends \$10,000 during the forms season with UPS for bulk shipments. The quantity of refused delivery has increased yearly, as UPS increases rates, resulting in additional costs to DOR.

Approximately five years ago, a breakeven analysis was done to determine the most cost effective way to distribute the Package XSC (PXSC). PXSC contains the major tax forms requested. At time, it was determined that it was less expensive to mail 1 copy of PXSC. Any request more than 2 lbs. would be sent UPS. Each year the information in PXSC increases, thereby increasing the weight. DOR currently publishes Package XSC (PXSC) annually in printed and CD format. Each cost \$5.00 plus tax. The cost has been \$5.00 to purchase PXSC has been since the first publication. The printed format contains 1 year of tax forms. The CD contains both current and back year tax forms (3 years). The forms in the PXSC are also available on the DOR website and on a Fax on Demand system (back year forms are included).

Forms management tracks the ordering trends and usage practices of libraries, military installations, government entities and DOR Taxpayer Service Centers (branch offices). The Usage Report is analyzed to determine form printing requirements for the next year.

What Are Other Revenue Departments Doing?

In April 2003, Beverly Patrick, Manager of Forms and Document Services of the Michigan Department of Treasury emailed a survey to all state revenue agencies concerning , “*Bulk Distribution of Tax Forms*”. (See **Attachment A.**) The questions

developed for the survey addressed the information needed and the survey group knowledgeable. Throughout the year group emails are sent to exchange information that is exclusive to taxing agencies. Response is usually with two to three days and results are shared with the group.

Survey Results

The survey was emailed to 47 state revenue agencies. Twenty one (21) responses were received. (45% response rate) In the “*Summary of Survey—Other States*” (**See Attachment B.**), states did not have personal income tax were excluded (5 states) from the tally. Washington, DC was included. Eighteen (18) responses were summarized.

Seventeen (17) or 94% of the revenue agencies provide tax forms in bulk quantities. Of those 17 agencies, 5 or 28% continue to provide the service but have reduced and/or eliminated certain distribution sites. (i.e. banks, libraries, practitioners, etc.)

Regarding customer service, two questions were asked:

2a. How were taxpayers informed? Five agencies responded. Three agencies formally notified taxpayers of changes via mail or public announcement.

2b. How did taxpayers and bulk site customers react to this change? None reported any negative reaction or impact to the change.

Cost Effectiveness of Postage

Margaret Brandel, Account Representative for the United States Post Offices (USPS) was contacted to review our bulk mail process and recommend a postal solution that would save DOR money. ‘Click N Ship’, a USPS web base program was

recommended. DOR was also informed of other comparable software that could be purchased online or retail store such as Office Maxx, Staples and Office Depot. The following comparison was done:

Comparison of Current Shipping with Other Options

TABLE 1

Feature	UPS	Post Office "Click N Ship" www.usps.com	Endicia.com	Stamps.com
Credit Card Payment for Postage	No	Yes	Yes	Yes
Purchase Additional Equipment	No	Yes (Scale)	Yes (Integrated scale and label printer)	Yes (Digital scale)
Service Fee	No	No	Yes <u>Stand.</u> – \$ 99.95/yr <u>Prem.</u> – \$174.95/yr	Yes <u>Simple</u> – 10% of monthly postage printed (\$4.49 min) <u>Power</u> - \$15.99/mo
Additional Fees	Yes -Fuel charge -Address Correction -Return Shipping	No	No	No

Further research of the options revealed DOR could not pay for postage using an agency credit card. USPS could not use money already in established DOR postal permit accounts. None of the options offered COD payment. Implementing any of the options would involve using DOR Mail Center employees to handle and transport bulk shipments (a function they currently do not perform) to post office daily. An additional trip to the post office would have to be added to 2 daily trips they currently make. The postmaster could authorize a pick up if the volume is significant. The options were for smaller volume mailers than DOR.

Review of three years of UPS invoices revealed a decline in the number of returned COD shipments DOR paid for. DOR was not incurring excessive additional costs for returned shipments as earlier stated.

TABLE 2 **COD Returned Shipments**

Year	Returned Shipments	Cost
2001	10	\$ 123.00
2002	3	37.00
2003	0	0.00

Ms. Brandel recommended using USPS Priority Mail envelopes for smaller bulk orders. The cost is the same for all zones (\$3.85) for a one pound shipment. You can mail as many items that can be inserted in the Priority envelope. The envelope cannot be taped closed. The PXSC was too thick to fit and weighed 2 lbs.

The current format was loose leaf with three holes punched for inserting in a notebook. Approximately three years ago, PXSC requestors were surveyed and ask what format they preferred: loose leaf or bound with perforations to tear out pages. The majority of respondents choose loose leaf as the format. The format was changed from the bound book to loose leaf with no cost increase to the agency. The majority of the lighter bulk orders are requests for PXSC. It was suggested that if DOR changed the format to a bound book, PXSC could be mailed via USPS at the Bound Printed Matter rate.

Several previous printing vendors of the PXSC were contacted for advice and cost estimates for printing PXSC in a bound book format, 3 hole punched with perforations

between the binding and holes. This would allow the pages to be returned to the notebook if pages were removed for copying. There was no increase in cost to produce PXSC in this format. The additional processing was balanced with not having to shrink wrap the loose-leaf format.

An analysis was done of USPS Priority Mail and Bound Printer Matter rate versus UPS Ground Commercial service. **(See Attachments C and D.)** It was concluded that UPS (3 Day Ground-Commercial) rates are less expensive than USPS (Priority Mail) in most zones, but the Bound Printed Matter rate is less expensive than UPS. Although the rate cannot be used for bulk orders containing loose forms, it is cost effective for mailing PXSC book shipments up to 15 pounds (limit for bound printed matter). UPS is more cost effective than USPS in mailing bulk shipments.

Cost of Package XSC and CD

TABLE 3

2003 Order			
3,000 Package XSC	: \$13,640.00	\$ 4.55 each	Sold for \$5.00 plus tax
2,000 CDs w/envelope	: 1,930.43	.65 each *	Sold for \$5.00 plus tax
2004 Order (Current)			
2,000 Package XSC	: \$11,912.95	\$ 5.96 each	Sold for \$10.00 plus tax
2,000 CD w/envelope	: 2,052.75	.66 each *	Sold for \$5.00 plus tax

*CD cost denoted does not include envelope cost

All costs are from the lowest responsive competitive bid as mandated by the South Carolina Procurement Code.

RECOMMENDATIONS

Research from this project was used to make business decisions for the 2003-2004 tax season. The following recommendations were presented to DOR management:

RECOMMENDATION 1:

Use Post Office (Bound Printed Matter rate) for shipping orders or Package XSC only. Ship bulk orders via UPS.

- UPS is less expensive than the post office on all rates except Bound Printed Matter which is limited to 15 pounds. **(See Attachment E.)**
- Additional equipment would have to be purchased to implement the post office solution. Additional fees for PC postage, scale, etc. range from \$50 to \$100. **(See Table 1.)**
- Other software solutions (i.e. Endicia.com) involve the cost of scales and annual maintenance fees. **(See Table 1.)**
- COD shipments (via UPS) were not being refused or returns for nondelivery after 3 attempts. DOR was not incurring excessive additional costs as originally stated.
- Multiple copies of software would have to be purchased. Currently, employees work from their individual network computers to enter shipping information into an Access database or an on-line system (ups.com).
- Other software solutions involving using Mail Center employees to transport bulk shipments to the post office. This is a function not currently performed and would increase the handling of the mail and add at least an extra daily trip to the post office during peak season.

RECOMMENDATION 2:

Do not provide bulk forms to tax practitioners. Offer them the CD or Package XSC. Their cost would be less expensive than what they are currently paying for bulk shipments with UPS's COD fee.

- Based on survey of several state tax agencies, many agencies either no longer provide bulk forms to practitioners (provide a CD or Package X) or the states charge the practitioners for the bulk forms.

RECOMMENDATION 3:

Increase the cost of the Package XSC to cover postage. (i.e. \$8 to \$10). Continue to sell the CD for \$5.

- The selling price of the PXSC has been \$5.00 since its first publication.
- PXSC forms are available on the DOR website and on the Fax on Demand system.
- The number of pages in the PSXC increases each year, increasing the printing cost.
- The CD is cheaper to produce and offers more information. **(See Table 2.)**

CONCLUSION AND FINDINGS

RECOMMENDTION 1 was accepted and implemented by the Forms Management section. Bulk orders for January 2004 were tracked. Twenty eight (28) single and 4 orders of two (2) PXSC were ordered. Based on current costs the following savings were achieved.

TABLE 4 **January 2004 Savings**

	UPS Cost w/o COD (Zone 1&2)	Bound Printed Matter	Savings
28 Single PXSC (3 lbs.)	\$ 103.32	\$ 58.24	\$ 45.08
4 Double PXSC (6 lbs.)	\$ 15.92	10.00	\$ 5.92

TABLE 5 **Individual Savings (to Public)**

	UPS Cost with COD (Zones 1 & 2)	Bound Printed Matter	Savings
PXSC (3 lbs.)	\$10.69	\$2.08	\$ 8.61

This information will be tracked during the tax season to see savings.

RECOMMENDATION 2 was accepted with modification. DOR would not provide bulk tax forms to large tax practitioners, CPAs and accounting firms that should have in-house software and means to copy forms. Small “mom and pop” operations would still receive bulk tax forms and pay the shipping cost plus COD. Letters were sent to practitioners on the DOR mailing list identifying budgets cuts and limited resources. They were offered only the PXSC and CD on their order form. DOR has not received any negative responses.

Clemson (Tax) Workshops are held throughout the state yearly to update practitioners, CPAs, etc. on law changes and review form changes. The cost of the PXSC is included in registration. This year, CDs were distributed instead of the printed PXSC . No negative responses were received.

RECOMMENDATION 3 was accepted. The selling price for the printed PXSC was set at \$10.00. This year's actual printing cost each was \$5.98. Postage is covered with a small savings to the agency depending on the mailing zone. **(See Tables 3, 4 and 5.)** DOR wants to encourage of the use of the CD and other electronic formats (website and Fax on Demand) to decrease printing costs and decrease paper.

In conclusion, DOR will continue to provide bulk tax forms to small practitioners, while providing larger companies a CD or printed PXSC to make copies as needed to decrease printing and mailing cost. Single PXSC will be mailed at the Bound Printed Matter Rate and other bulk shipments sent via UPS with a COD fee included. The cost of the PXSC was increased to \$10.00 to cover mailing. DOR will continue to track and monitor the situation yearly to insure alignment with the Strategic Plan.

REFERENCES

Quick Service Guide (Based on DMM 57), Publication 95, United States Postal Service, June 2002

South Carolina Department of Revenue Strategic Plan, www.sctax.org

www.Endicia.com

www.Stamps.com

www.ups.com

www.usps.com/ClicknShip

ATTACHMENT A

Survey Other States - - Bulk Distribution of Tax Forms

State's with NO personal income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming

1. Do you provide forms for taxpayers at bulk distribution sites? If yes, to what business types do you distribute?

Arizona Yes. Primarily malls, IRS offices; some libraries; a few Post Offices (upon request) and banks. Total sites: 138

Arkansas No

California Yes. Post offices, libraries, banks, plus our Volunteer In Tax Assistance (VITA) sites, district offices, quick prints (like

Kinko's), the CA Department of Motor Vehicles, and the CA Board of Equalization. Total sites: 3,500

Connecticut Yes. Libraries, post offices, banks, town halls, IRS locations, Military locations, out of state tax departments, and our

field offices. Total sites: 1,044

Florida Yes. Post offices, libraries, banks, IRS locations, plus CPA's and county offices.

To anybody that orders...we have a pre-ordering web page on the Internet. I usually send out a postcard in Sept or October to the customers who ordered large quantities the previous year telling them to place their pre-order on the Internet.

Hawaii Yes. Hawaii State Public Libraries (50), one local IRS office, and one local bank with multiple branches.

Kansas Yes. Kansas distributes to post offices, libraries, drivers license offices, practitioners and banks.

Kentucky Yes. Post Offices (274), Libraries (230), Banks (22), AARP, VITA sites, some local government offices and military

sites (80), other (102).

Louisiana Yes. To 8 regional offices and 13 main libraries.

Maine Yes. Banks, credit unions, post offices, libraries, town/city offices, IRS offices, universities and military posts.

Maryland Yes. Various military bases that request forms. However we send a set quantity of 10 booklets, a CD and a Package

X. We also provide resident booklets to approx. 220 post offices, 50 libraries and all forms to 1800 practitioners. All of these forms are provided at no cost.

Missouri Yes. Libraries, banks, post offices, Dillon's grocery stores, taxpayer centers, AARP/VITA sites, senior centers, county/city offices, Missouri state agency offices, schools/colleges, IRS/federal offices, military sites, etc. Total sites: 995

Nevada The State of Nevada does not have a personal or corporate income tax. Therefore, we do not do a bulk distribution of

forms. Sales/use and business tax returns are provided on a monthly or quarterly basis to registered taxpayers. They are also available on our web site.

NEW YORK Yes. Post offices, libraries, banks, Assemblyment, Senators, Service Organizations (schools, colleges, etc).

Total

Sites: 4,000

North Carolina Yes. We provide forms to anyone who requests them - but mainly to libraries, post offices, local NCDOR revenue field

offices. We distribute to hundreds of sites.

Ohio YES. Post offices, libraries, banks, Ohio cities, Internal Revenue Services and universities. Total sites: 1767

Oregon Yes. To 57 banks, 221 libraries, and 531 post offices/contract stations.

Pennsylvania Yes. Pennsylvania has bulk distribution on single business tax forms, schedules, and instructions booklets at Post

Offices, Libraries, and Senate Offices. We do send tax booklets to our District Offices. We distribute forms, schedules, and instructions to 1400-1500 sites.

Texas No. Let me point out first that Texas does not have an income tax, and it sounds like that is a primary focus of your project.

Washington We deal with state business tax forms, not federal tax forms.

Washington DC Yes. State libraries and DC Government buildings-- a total of eight (8) sites. One of those sites which is our main DC

Public Library, then distributes to all of our other state libraries.

Wisconsin Yes. Free of charge to libraries (470+), post offices (500+), VITA sites, and military bases. To tax practitioners, approximately 5,000, we charge a small fee to cover shipping/handling costs.

Wyoming No. Wyoming does not, each filing is bar codes specific to a particular vendor

2. Have you provided bulk forms and subsequently discontinued this service?

Arizona Yes

Arkansas No

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California No

Connecticut No.

Florida No.

Hawaii YES

Kansas Yes

Kentucky No. Although we did begin charging for bulk orders from preparers.
Louisiana No.
Maine No.
Maryland Yes. We have recently made the decision to discontinue bulk mailing of forms to practitioners. We are going to mail a CD-ROM to practitioners based on the previous years mailing list.
Missouri No, we have not discontinued the use of providing forms to bulk distribution sites.
NEW YORK No.
North Carolina No
Ohio No. However we do charge practitioners for bulk order request. We have been charging the practitioners for forms for the last two years and supplying all bulk distributions request with a CD, which includes the most commonly used tax forms for free. In doing this it has lowered the request for bulk distribution. This year, out of a 975 practitioners base, we had only 128 purchase bulk forms. The remainder were content on just having the CD. We have sent out the CD for the last three years. The first year, we did not charge for a bulk order request, but mentioned in a letter that the following year we would start charging. As a whole, the practitioners accepted this change quite well.
Oregon No. Oregon will continue to provide this service.
Pennsylvania No. Pennsylvania is not going to discontinue providing bulk forms, schedules, and instructions to Post Offices, Libraries, and Senate Offices.
Texas No..
Washington DC No.
Wisconsin Yes
Wyoming No

2a. How were taxpayers informed?

Arizona We did not make public notifications as the number of distribution sites has slowly declined over a number of years. We provide information on distribution sites through our call center and the AZ DOR website (where forms are also available for download in blank and fillable formats).
Hawaii As the decision to discontinue the distribution of the forms was that of the organization and not our department's, I'm not sure how they notified their customers.
Kansas We have a form that was sent each year in September/October to those that recieved bulk forms the prior year. Last year we changed the letter to let them know that due to budget constraints we wanted them to re-evaluate the number of forms they actually needed. We included volumes of the forms that were sent the prior year and had them make any changes. We also informed them that the forms were on the internet and could be downloaded.
Maryland We are also going to have information on our website to order the CD. This was discussed at the annual federal/state tax institutes in 2002. There did not seem to be any adverse reactions to the announcement.
Wisconsin This season we discontinued distribution to banks. We notified them via mail that due to budget reductions, and our desire to reduce paper, that we would not be shipping them forms. In addition, we cut libraries 15% overall. We accomplished this by taking our database of 470+ libraries and applying a cut of almost 20% to those libraries we shipped large quantities to. This enabled us to maintain "same as last year" quantities to libraries in small Wisconsin towns, not unduly inconvenience our customers, while still reaching our 15% goal. We worked with the library associations to get the word out as well as newspapers & television stations, and again, we received no negative feedback. We made case by case decisions to replenish any library that ran out of forms based on inventory on hand. Less staff was needed to complete the mailings. As of April 15th, we still had a sufficient supply of tax forms for future use.

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3. Do you direct mail income tax booklets to taxpayers? If yes, how many income tax booklets did you mail for tax year 2002 and to what percentage of your population did you direct mail?

Arizona Yes. Mailed 543,104; Slightly under 25%
Arkansas Yes: Only to those taxpayers who request them by phone.
California Yes. Mailed 3,486,596; 25%
Connecticut Yes. 904,886 booklets; Approximately 69%
Florida We don't have income tax..we have intangible tax and yes we sent them out but we have received many requests for the blank intangible tax packages.
Hawaii Yes. We direct-mailed approximately 360,000 tax booklets at the onset of the tax season, but I don't have the stats for the total number of tax booklets we mailed out during the remaining period. For the direct mail population, approximately 70% are sent the tax booklets, and another 30% are sent the mailing labels only
Kansas Yes. 561,193; Around 65%
Kentucky Yes. 475,000; 30%
Louisiana Yes. Approx. 700,000; 42%

Maine Yes. For tax year 2002, 298,425 income tax booklets were personalized and mailed directly to taxpayers. At this point, we don't have the total number of filers for the 2002 tax year. For tax year 2001, we mailed income tax booklets to 48.5% of the taxpayer population.

2b. How did taxpayers and bulk sites customers react to this change?

Arizona Each year we have fewer distribution sites and receive fewer complaints because more and more people use the website

to download blank and fillable forms, or e-file.

Hawaii Again, as it was not our decision to discontinue providing the forms, we were not informed about the reaction of their customers. We did receive some calls from the public regarding this, but we offered other options for them to obtain forms.

Kansas They were very receptive to the idea and some sent back the letters reducing the volumes drastically or stated they would no longer need them.

Maryland This was discussed at the annual federal/state tax institutes in 2002. There did not seem to be any adverse reactions to the announcement.

Wisconsin We received two calls out of approximately 500 banks. One wanted to know next nearest source of forms so they could

tell customers. The other wanted to know if they could get just a few. We had no negative feedback.

2c. How did it impact your department (i.e. staffing, public opinion, etc)?

Arizona Impact has been minimal.

Hawaii What we did was to find a replacement for these bulk distribution sites. Our original sites included approximately 20

Satellite City Halls, and these were replaced with 50 public libraries. Due to the close proximity of the satellite city halls to the libraries, I believe many of the customers were referred to the libraries instead.

Kansas This had very little impact. We were understaffed this year but seemed to get the forms out quicker.

Wisconsin . . . we received no negative feedback.

2d. What was the increase in phone requests for forms?

Hawaii I'm not sure how it impacted phone requests for forms but the stats did go up a bit.

Kansas Very little as we advertise electronic filing and the ability to download forms off the internet on just about everything we send out.

Maryland Since this is the initial year of not having the bulk mail, I can't answer what the impact or increase in telephone requests will be.

Wisconsin Despite the cutting back of hundreds of thousands of forms, we did not receive a proportionate increase in forms requests.

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Maryland Yes. We direct mail tax booklets to resident, nonresident, fiduciary, corporate, pass-through and telefile taxpayers. This

year, we did not direct mail tax booklets to taxpayers that asked not to receive them or taxpayers that electronically filed for

the prior year. For 2002 we mailed the following tax booklets: Resident 1.2 million; Nonresident 58,672; Telefile 398,298; Corporate 43,185; Pass-through 60,703; Fiduciary 20,811.

Missouri Yes. We direct mail income tax books to taxpayers. A total of 1,174,021 books were direct mailed to taxpayers. Telefile

Books: 228,615; Form MO-1040 Books: 109,631; Form MO-1040A Books: 325,985; Form MO-1040B Books: 141,958; Form MO-1040C Books: 98,199; Form MO-1040P Books: 139,460; Form MO-PTC Books: 130,173; We have approximately 2.6 million taxpayers file tax returns, so almost half of the taxpayers received a tax book.

NEW YORK Yes. 4.5 million

North Carolina Yes. We mailed 738,000 personalized booklets to taxpayers. This number represents about 21 percent of total filers.

Ohio Yes. 4,826,037; We still direct mail returns to just over 90 percent of our taxpayer population.

Oregon Yes. We direct mailed 672,000 income tax booklets for the 2002 tax year. For the 2002 income tax booklet, we direct

mailed to approximately 41% of the individuals that filed a return (includes full year, part-year, and nonresident returns) in the previous year.

Pennsylvania Yes. PA-40 Income Tax Booklet - 728,411; PA Fast File Booklet (TeleFile) - 1,394,405; PA-V Letter - 3,604,892. We

mailed a total of 5,727,708.

Texas NO. Texas has no income tax. However, we do mail preprinted tax returns to our sales, franchise, fuels, and all other

customers for those taxes the Texas Comptroller of Public Accounts administers.
 Washington DC Yes. We mailed 224,000 Individual Income Tax booklets for tax year 2002. We have no [percentage] estimate at this time.
 Wisconsin Yes. We operate our own USPS Plant Load Authorization program and this season labeled, sorted and mailed 1.6 million individual tax booklets. This is a reduction of over one million from just three years ago (the result of continuing to purge out people who have electronically filed, used a tax preparer, or are sent a post card instead of a booklet). We have approximately 2.9 million tax payers. This season we cut our purchase quantity of indicia booklets (bearing the postal imprint) very close and with extra diligence in all aspects of labeling were able to save substantially on printing dollars. We have approximately 2.9 million tax payers. We mailed 1.6 million individual tax booklets.
 Wyoming No. Wyoming does not have an income tax.

3c. How is the direct mail population determined?

California We develop our label program by determining what the taxpayer used to file the previous year. If they filed electronically or used a tax preparer they do not get a booklet.
 Connecticut We mail to taxpayers who filed returns the previous year and were required to file a return. We do not mail to taxpayers who have checked a box on our return stating they do not need a booklet next year. We do not send a booklet to taxpayers who used our WebFile program (on line internet filing free service). We do send the WebFilers a postcard with their PIN number
 Hawaii The direct-mail population is determined by the number of taxpayers who filed returns for the prior year. Of this number, 360,000 were mailed the tax booklets, and approximately 160,000 were mailed the mailing labels. (These are the taxpayers that go to an accountant or tax preparation service to have their tax returns done so they don't need the packets.)
 * Note that although the direct mail population seems to cover the complete filing population, we do receive back from the post office approximately 1% or so due to the mail being undeliverable.
 Kansas We get the information from our system. We do not send booklets to those that PC File, Telefile or had their return filed by a practitioner.
 Kentucky Booklets are mailed to taxpayers that request a booklet. We have a check box on the form to indicate whether or not forms are needed. Efilers and 2D filers are not sent booklets.
 Louisiana We do not mail to taxpayers that filed electronically, web filed, or used a paid preparer.
 Maine Income tax booklets are mailed directly to those who filed a paper tax return the year before.
 Maryland We determine who receives a booklet based on tapes developed from the previous year's filings.
 Missouri We do a book pull using different criteria for each book. Filing status, resident, nonresident, qualify for pensions, property tax credit, etc
 North Carolina Any filer who did not file a computer generated form the previous year.
 Ohio We use prior year filing and match against the Internal Revenue Service to determine our direct mail population.
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4. Do you have a toll-free phone line for form requests? If yes, how many request do you receive annually?

Arizona Yes, but toll free only to in-state callers - - about 70,000.
 Arkansas No. Phone requests are probably less than 100 per year.
 California Yes. To 3/31/03, IVR calls are a total of 2,185,575. Our Interactive Voice response (IVR) number is automated. Customers may also order forms by talking to a Customer Service Representative at our toll free number and I have no statistics on the volume of these calls at this time.
 Connecticut Yes, but the number is good only within Connecticut. We do not keep records on this.
 Florida No, it isn't toll free. We receive about 25,000 requests from external customers by fax, phone, Inet and snailmail.
 Hawaii YES. We do have a toll-free, 24x7 forms by fax/mail service. Last year the total number of requests was approximately 30,000.
 Kansas No. Although we do not have a toll-free number, we do have a forms request line and received 19,364 request for this tax year.
 Kentucky No.
 Louisiana Yes.
 Maine No. We have a special "forms" line for forms ONLY; this line is NOT toll-free, however. In 2002, we logged in 16,921 calls on the forms line.

Maryland Yes. We have a toll free number that is answered by our Taxpayer Service Section who then takes the forms requests.

We also have a local number that is answered by our Central Files Unit who actually send the forms out. I was able to obtain records for January 2003-April 2003, during that period we received 12,236 telephone requests for forms.

Missouri Yes. We have a toll-free phone line for form requests. We receive approximately 24,000 requests annually.

NEW YORK Yes. 220,000 requests annually.

North Carolina No. We do not have a toll free forms line.

Ohio Yes. We have transcribed over 33,000 request for forms from our IVR (Interactive Voice Response) system, since the beginning of the year.

Oregon Yes. Oregon has a toll-free number for all questions including forms request. There is not a separate toll free number dedicated to forms order. There is an option the taxpayer can use to order forms by leaving a voice mail. Otherwise they can talk with a representative to give their order. We receive approximately 21,000 written and oral requests for all form types, information circulars, and publications. We don't have a breakdown of how many requests came through the tollfree line.

Pennsylvania This year we processed 70,633 orders on our IVR System. Our PA-40 Form (Singles), which were sent by request, was 1,509,454. This is up from last year. Part of this increase for PA-40 Forms could be due to the fact, that we had no EZ Form this year.

Texas Yes. Most of our forms requests come as a result of a call to one of the tax-specific toll-free lines rather than the forms request line, so there isn't a one-to-one relationship between the number of calls received on that line and the number of forms ordered. I can make a better guess by getting data from the forms ordering system, but since we don't have an income tax, I wasn't sure whether that number would even be useful. You can let me know if you need me to pursue that further.

Washington DC No. We do not have a toll-free phone line, but we do have a local phone line for form requests. We have no estimate at this time.

Wisconsin No. We do not operate a toll free number. Taxpayers in Madison or Milwaukee can call a local number. Since Dec 2002 through April 14th we answered 101,000 calls to our forms request line.

Wyoming No.

Oregon We use the prior year address data base to determine the direct mail population.

Pennsylvania The criteria is determined by the following: (1) Taxpayers, who filed by paper, were sent the PA-40 Income Tax Booklet, (2) Taxpayers, who filed by phone, were sent the PA Fast File Booklet (TeleFile) (3) Taxpayers, who did pa.direct file, efile, and scan band, were sent a PA-V Letter.

Washington DC DC's direct mail population is determined by maintaining and updating master mailing lists.

Wisconsin ...mailed 1.6 million individual tax booklets ... continuing to purge out people who have electronically filed, used a tax preparer, or are sent a post card instead of a booklet.

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5. Do you have a strategy to reduce form distribution? If yes, please explain?

Arizona Direct mailing of income tax booklets to taxpayers who use tax practitioners and e-filers was eliminated. We have decreased the number of forms printed for public distribution, as well. This has saved several hundred-thousand dollars per year. Callers are guided through using the internet to download blank and fillable forms. Although there are still some complaints about availability of forms, it actually has declined from the days when we distributed them widely to banks, libraries and post offices.

Arkansas We provide forms on our Website. For Taxpayers that do not have internet access we mail them a copy on request.

Phone requests are probably less than 100 per year.

Connecticut We do not send out booklets to those who WebFile. They do receive postcards with their PIN numbers. We do not send out booklets to taxpayers who do not meet requirements to file, for example those taxpayers who have no withholding and have income below the requirement to file a return. We promote WebFiling in our booklets. We have been able to reduce the number of booklets printed over the last two years.

Florida Yes, in our envisioned perfect world everybody would be filing everything over the Internet.

Hawaii Our department has a website from which our tax forms can be downloaded. Additionally, we also distribute a Tax Info CD Rom that also contains our tax forms; there is a \$10 charge for the CD. We will continue to encourage the public to use these two channels to obtain our tax forms.

Kentucky Our only strategy is to increase electronic filing as much as possible. We have reduced direct mailing of forms from 1.2 million in the early 90's to less than .5 million last year.

Louisiana So far we have received a total of 2,306 requests from our toll free number (564 Nonresident, and 1,742 resident).

Maine No.

Maryland I wouldn't say we have a strategy but we are reviewing and discussing some options to reduce forms distributions. As I stated earlier, we are not having bulk mail for practitioners this year. We are currently doing a survey of certain states to determine if they have any plans to stop distribution of corporate and pass-through forms. We have also sent survey letters to post offices and libraries for their beginning and ending inventory of booklets to determine how we should order for the coming year. We also are in discussions to discontinue our telefile booklet and our Package X. All of our forms and instructions are available on our website and our CD which has forms from 1996 forward. We also continue to advertise our e-file and ifile programs.

Missouri We are currently working on ways to reduce form distribution. We send postcards to taxpayers that used a tax preparer.

NEW YORK We offer forms on-line and by fax.

North Carolina We do not have a defined strategy to reduce form distribution, however, we hope to reduce the number of paper forms that we must produce and distribute by pushing efile processes as much as possible.

Ohio Yes, See the response for question #2.

Oregon Oregon's e-file program has helped in reducing the paper forms. Each year we receive a substantial increase in our efilers.

For tax year 2002, Oregon had 2-D barcode returns for our full year forms (both long and short) and we are working on 2-D barcode for our part year resident form and our nonresident form for tax year 2003. We also have a student website which contains a fillable short form for students.

Pennsylvania As of right now, we do not have a strategy to reduce form distribution.

Texas YES. Texas law requires every taxpayer or licensee who paid a total of \$100,000 or more in a payment category during the preceding state fiscal year (September 1 through August 31) to pay by Electronic Funds Transfer. Legislation effective 1/1/03 requires anyone who is required by pay by EFT to also file electronically. After three months where this requirement applies, we stop sending preprinted tax returns. We are in the process of enhancing our Webfile application to allow taxpayers who voluntarily Webfile to tell us they no longer want to receive a preprinted return. Our tax forms and instructions are available online at <http://www.window.state.tx.us/taxinfo/taxforms/>. We have a fax-on-demand system where taxpayers can have one or more pages of our "more popular" tax returns faxed to them.

For some taxes (sales is the highest volume), how frequently taxpayers must file tax reports depends on the volume of tax they collect. Twice a year, we identify taxpayers who are eligible to file less frequently. Because they file less frequently, they need forms less frequently.

Washington DC Besides, refining our mailing lists by asking taxpayers to indicate on their form if they no longer wish to receive tax forms, no planned strategies to reduce form distribution.

Wisconsin Our strategy is to continue to reduce paper forms distributed while maintaining customer service by directing them to other sources for forms (e-filing #1, our website, fax-a-form, etc.). Our Revenue Truck was lettered this season with our e-file logo to compliment the other efforts ongoing promoting electronic filing and less paper.

Wyoming We try to convince them to file electronically.

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ATTACHMENT B

SUMMARY OF SURVEY - - Other States

Received 18 Responses. Includes Washington DC. Excludes responses from Florida, Nevada, Texas, Washington

and Wyoming --these state's do not have a personal income tax.

QUESTIONS YES NO

1. Do you provide forms for taxpayers at bulk distribution sites?

Top Distribution Sites : Libraries=17; Post Offices=14; Banks=11

YES -17 No- 1*

2. Have you provided bulk forms and subsequently discontinued this service?

The following states continue to do bulk distribution, but have eliminated only certain distribution sites.

ARIZONA: *(Note: 138 bulk distribution sites only--malls, IRS offices, libraries, post offices and banks).*

We did not make public notifications as the number of distribution sites has slowly declined over a number of years. We provide information on distribution sites through our call center and the AZ DOR website (where forms are also available for download in blank and fillable formats). Each year we have fewer distribution sites and receive fewer complaints because more and more people use the website to download blank and fillable forms, or e-file. Impact has been minimal.

KANSAS: *(Note: Reduced the number of sites and the quantity of forms provided.)* We have a form that is sent each year in September/October to those that received bulk forms the prior year. Last year we changed the letter to let them know that due to budget constraints we wanted them to re-evaluate the number of forms they actually needed. We included volumes of the forms that were sent the prior year and had them make any changes. We also informed them that the forms were on the internet and could be downloaded.

MARYLAND: *(Note: Discontinued bulk forms to practitioners only.)* We have recently made the decision to discontinue bulk mailing of forms to practitioners. We are going to mail a CD-ROM to practitioners based on the previous years mailing list. We are also going to have information on our website to order the CD. This was discussed at the annual federal/state tax institutes in 2002. There did not seem to be any adverse reactions to the announcement. Since this is the initial year of not having the bulk mail, I can't answer what the impact or increase in telephone requests will be.

WISCONSIN: *(Note: Discontinued bulk forms to banks only.)* This season we discontinued distribution to banks. We notified them via mail that due to budget reductions, and our desire to reduce paper, that we would not be shipping them forms. In addition, we cut libraries 15% overall. We accomplished this by taking our database of 470+ libraries and applying a cut of almost 20% to those libraries we shipped large quantities to. This enabled us to maintain "same as last year" quantities to libraries in small Wisconsin towns, not unduly inconvenience our customers, while still reaching our 15% goal. We worked with the library associations to get the word out as well as newspapers and television stations, and again, we received no negative feedback. We made case by case decisions to replenish any library that ran out of forms based on inventory on hand. Less staff was needed to complete the mailings. As of April 15th, we still had a sufficient supply of tax forms for future use. We received two calls out of approximately 500 banks. One wanted to know next nearest source of forms so they could tell customers. The other wanted to know if they could get just a few. We had no negative feedback. Despite the cutting back of hundreds of thousands of forms, we did not receive a proportionate increase in forms requests.

HAWAII: *(Note: 20 City Hall office sites were discontinued and replaced with 50 libraries).* As the decision to discontinue the distribution of the forms was that of the organization and not our department's, I'm not sure how they notified their customers or the reaction of their customers. We did receive some calls from the public regarding this, but we offered other options for them to obtain forms. What we did was to find a replacement for these bulk distribution sites. Our original sites included approximately 20 Satellite City Halls, and these were replaced with 50 public libraries. Due to the close proximity of the satellite city halls to the libraries, I believe many of the customers were referred to the libraries instead. I'm not sure how it impacted phone requests for forms but the stats did go up a bit.

YES-5 NO-13

3. Do you direct mail income tax booklets to taxpayers?

Information is available for each state's direct mail quantity, percentage of taxpayer population direct mailed to, and how direct mail population is determined

YES-17 NO- 1*

4. Do you have a toll-free phone line for form requests? YES- 11 NO- 7

*Arkansas direct mails only to taxpayers that request a book/form via phone. Phone requests are only about 100/year.

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ATTACHEMENT C

ATTACHMENT C

Postal Service Priority Mail vs UPS Ground - Commerical

Weight	Zone 1 & 2			Zone 3			Zone 4			Zone 5		
	PO	UPS	Savings	PO	UPS	Savings	PO	UPS	Savings	PO	UPS	Savings
1	3.85	3.39	-0.46	3.85	3.5	-0.35	3.85	3.74	-0.11	3.85	3.82	-0.03
2	3.95	3.49	-0.46	3.95	3.67	-0.28	4.55	4.05	-0.5	4.90	4.16	-0.74
3	4.75	3.69	-1.06	4.75	3.84	-0.91	6.05	4.28	-1.77	6.85	4.46	-2.39
4	5.30	3.85	-1.45	5.30	4.01	-1.29	7.05	4.50	-2.55	9.30	4.73	-4.57

Weight	Zone 6			Zone 7			Zone 8		
	PO	UPS	Savings	PO	UPS	Savings	PO	UPS	Savings
1	3.85	4.02	0.17	3.85	4.07	0.22	3.85	4.18	0.33
2	5.05	4.48	-0.57	5.40	4.58	-0.82	5.75	4.87	-0.88
3	7.15	4.78	-2.37	7.85	4.94	-2.91	8.55	5.39	-3.16
4	8.50	5.06	-3.44	9.45	5.23	-4.22	10.35	6.89	-3.46

CONCLUSION: UPS (3 Day Ground -Commerical) rates are less expensive than the Post Office (Priority Mail) in most zones

ATTACHMENT D

ATTACHMENT D

Postal Service Bound Printed Matter Rate vs UPS Ground - Commerical

Weight	PO	Zone 1 & 2		Savings	PO	Zone 3		Savings	PO	Zone 4		Savings	PO	Zone 5		Savings
		UPS				UPS				UPS				UPS		
1	1.87	3.39		1.52	1.92	3.50		1.58	1.96	3.74		1.78	2.04	3.82		1.78
2	1.94	3.49		1.55	2.00	3.67		1.67	2.06	4.05		1.99	2.16	4.16		2.00
3	2.08	3.69		1.61	2.17	3.84		1.67	2.26	4.28		2.02	2.41	4.46		2.05
4	2.22	3.85		1.63	2.34	4.01		1.67	2.46	4.50		2.04	2.66	4.73		2.07

Weight	PO	Zone 6		Savings	PO	Zone 7		Savings	PO	Zone 8		Savings
		UPS				UPS				UPS		
1	2.11	4.02		1.91	2.20	4.07		1.87	2.37	4.18		1.81
2	2.26	4.48		2.22	2.38	4.58		2.20	2.60	4.87		2.27
3	2.56	4.78		2.22	2.74	4.94		2.20	3.07	5.39		2.32
4	2.86	5.06		2.20	3.10	5.23		2.13	3.54	6.89		3.35

CONCLUSION: The Bound Printed Matter rate is less expensive than UPS. This rate can be used to mail single Package XSC books.